

Banks and Climate Risk

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Abstract: Two common perspectives on climate risk and banks are: a) what is the contribution of my institution to climate change (the corporate social responsibility perspective), and b) what is the potential impact of climate change on my institution (the risk management perspective). I focus on the second but also touch on the first to discuss how banks are confronting climate related risks. Scenario-based approaches turn out to be quite useful to help us understand how climate risk, both transition and physical risk, impacts the dominant risk in banks: credit risk.